



FACT SHEET: INDONESIA INFRASTRUCTURE AND FINANCE COMPACT

MCC and the Government of Indonesia are partnering together on a \$649 million investment to address one of the country's biggest constraints to economic growth: costly and underdeveloped financial intermediation. The Indonesia Infrastructure and Finance Compact will focus on improving the financing of infrastructure—particularly transport and logistics infrastructure—and increasing access to finance for micro-, small- and medium- enterprises (MSMEs).

As a vast archipelago of more than 17,000 islands, Indonesia has great infrastructure needs but limited commercial investment, preventing goods from reaching new markets and Indonesians from fully participating in the global marketplace.

Meanwhile, Indonesia's MSMEs are the primary source of economic activity and jobs for the majority of Indonesians, but many Indonesian MSMEs—especially those owned by women—have limited access to loans and capital necessary to grow their business.

The Indonesia Infrastructure and Finance Compact will address these challenges through three projects: the Advancing Transport and Logistics Accessibility Services Project (ATLAS); the Financial Markets Development Project (FMDP); and the Access to Finance for Women-owned/Micro-, Small and Medium Enterprises Project (MSME Finance Project).

PROJECT 1 - ADVANCING TRANSPORT AND LOGISTICS ACCESSIBILITY SERVICES PROJECT

The ATLAS Project will work with provincial and municipal governments across five provinces to develop sub-national government capacity and investment guidelines, creating a blueprint for improved infrastructure planning and preparation at the municipal level across the country. Investments in the five priority provinces of South Sumatra, North Sulawesi, Riau, Riau Islands and Bali, selected by the Government of

Top: A fishing boat makes its way to the dock in Pulau Karampuang island. The MCC Indonesia Infrastructure and Finance Compact aims to improve financing for infrastructure projects, like docks, bridges, and roads. Photo by Jake Lyell for MCC



Indonesia, will increase the quantity and quality of transport infrastructure investments as well as improve accessibility of transport services for women and disabled passengers, generate time savings for commuters, increase utilization of public transport modes, and reduce traffic congestion and emissions. The project will also support Indonesia's climate change mitigation and adaptation plans by focusing on net zero transportation infrastructure projects.

PROJECT 2—FINANCIAL MARKETS DEVELOPMENT PROJECT

Indonesia has vast infrastructure needs across its wide archipelago of islands, but current loan structures are high-risk and prevent private sector companies from investing. To meet this need, estimated at \$1.5 trillion dollars, the FMD Project aims to work with lenders and the private sector to leverage grant financing and de-risk and fund high-quality infrastructure projects, in line with the Government of Indonesia's Financial Market Development Strategy and the multilateral Just Energy Transition Partnership. The FMD Project aims to reach financial close on approximately 10 pioneering transactions, including subnational debt instruments and green bonds, that can then be replicated throughout the country. The project will create opportunities for new lenders, particularly Indonesian lenders, to invest in transport infrastructure, making markets more competitive and accelerating economic growth.

PROJECT 3—MSME FINANCE PROJECT

Although 99% of all firms in Indonesia are MSMEs, these enterprises lack crucial access to credit, only accounting for 21.3% of all bank lending, limiting economic growth. Investing in MSMEs has wide-reaching impacts, as the growth of MSMEs not only directly increases the incomes of MSME owners but has the potential to create more jobs and help grow the overall Indonesian economy. Women, despite comprising the majority of MSME entrepreneurs, face additional socio-economic and legal barriers, that prohibit their ability to obtain a tax ID and business registration, key materials necessary to obtain a loan. The MSME Finance Project will support MSME growth and address the specific barriers that women entrepreneurs face by providing business capacity training and technical assistance to improve credit worthiness and investment readiness. This will include providing digital and financial literacy training and business capacity enhancement activities. The MSME Finance Project will also pilot a gender-inclusive finance facility to increase loans issued to women-owned MSMEs while strengthening overall government financial and technical data on MSMEs to enable greater evidence-based, data-driven policymaking.

ABOUT MCC

The Millennium Challenge Corporation is an independent U.S. government agency working to reduce global poverty through economic growth. Created in 2004, MCC provides time-limited grants and assistance to countries that meet rigorous standards for good governance, fighting corruption and respecting democratic rights. For more information on business, partnership, or job opportunities, please visit: <https://www.mcc.gov/work-with-us>.